

THE ATLANTIC: "THE BUDGET CASSANDRAS HAVE THEIR DAY"

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By Joshua Green

On Monday, the ratings agency Standard & Poor's changed its outlook on U.S. debt from "stable" to "negative," meaning it sees a one-in-three chance of a downgrade from AAA rating--a prospect that roiled the markets. Not everyone is worried; a few people sneered. But the news vindicated a handful of congressmen who have worried about the U.S. credit rating for years, none more loudly or insistently than Rep. Jim Cooper of Tennessee, a Blue Dog Democrat. Cooper is also a deficit hawk, and last week, to the consternation of many of his colleagues, he put forward his own budget to cut the deficit by \$4 trillion over ten years. I spoke to him yesterday about the news, the deficit negotiations, and how some members of Congress have never even heard of Standard and Poor's. What follows is a lightly edited transcript of our conversation:

For as long as I've been in Washington, you've been warning to very little attention about a downgrade to the U.S. credit rating--to which we're now a step closer. What's the significance in your mind to the S&P news yesterday?

The saddest words in the English language are "I told you so." S&P has been warning about this for years. The first time I saw it was on Page 13, I think, of the Wall Street Journal six or seven years ago, but no one was listening. As you know, that was Cassandra's curse--she was correct, but no one believed her. Now that we're at the edge of the precipice, people are tuning in. And there's still time to save the country. But I had hoped that we could anticipate this problem and solve it earlier, so we wouldn't come this close to perhaps defaulting on our debt.

Given their appalling record in the run-up to the financial crisis, what credibility to the ratings agencies have left?

This is a classic conundrum. People probably said the same thing of Cassandra: "She's just the daughter of a priest, what does she know?" It's easy to blame the messenger, and people have been doing that since Greek times. But now we actually have the example of a Greek financial collapse. The key is to focus on substance and not ad hominem attacks on the various prognosticators.

It seems odd that S&P would do this now, when entitlement reform and deficit reduction are central concerns in Washington for the first time in many years.

There's a false premise in your questions. S&P has been doing this for years. Moodys had a big announcement two or

three months ago. What's different is that suddenly people are paying attention. And this has moved from the back of the paper to the front.

How will this news affect the negotiations going on in Washington? Does it help or hurt?

It should help if people have any sense. Nothing should so concentrate the mind as the fear of defaulting. It's easy to play games with individual votes, but to play games with the full faith and credit of the United States is tragic.

Are we talking debt ceiling or entitlement reform, because they're two different things?

We're talking debt ceiling, but it's a widely held view that Republicans will not allow a clean vote on the debt ceiling increase. They will demand fundamental reforms. And I support fundamental reforms. But tying them in to the debt ceiling increase is the type of brinkmanship that really could take us to the precipice.

I take your point, but my impression has been that the timeline we're looking at doesn't allow for entitlement reform to happen before we hit the debt ceiling on July 8. What if that hasn't been settled?

You'll have to talk to Republicans about that. A number of them want at least a handshake deal before they'll vote to increase the debt ceiling, and then you have the questions of the size of the increase. If it's a very small increase, we could vote on this every few months, like the continuing resolutions. That fits the agenda of some Republicans, because the political dynamic here is shouting to your base and looking like you're tough and refusing to compromise even when the consequences of defaulting are extraordinary and permanent.

By my count, are at least five budget proposals floating around that attempt to tackle these problems, from the Republican Study Committee on the far right, to the Progressive Caucus on the far left, to your own budget introduced last week. Tell me about your effort, which basically took Bowles Simpson and put it in the form of a budget amendment, as I understand it?

Exactly. My effort was to put in a budgetary form of the Bowles-Simpson commission report. Now, budgets are not nearly as specific as the commission's report. But they establish different categories for committees, so that they would be required to reduce the deficit by at least as much as the commission recommended, but they'd be free to choose another method of reduction. It's a little bit like a blueprint in which each room has to be a certain size, but you don't predetermine what furniture is in the room.... The key is that it has to be big enough to work, fast enough to work, and fair enough to work, which means to me that everything has to be on the table.

Meaning revenue raising along with spending cuts?

Our problems are so large that if you understand them, you realize that everything has to be on the table. Even some things you wish did not have to be.

Theoretically, Blue Dog Democrats and Tea Party freshmen ought have some common ground on deficit cutting. Is there any dialogue or cooperation between the two groups?

Absolutely, we meet on a regular basis. these are not public meetings, but we've been meeting for a couple months now. There's a lot more commonality among backbenchers, low-profile members, than there is among party leaders. I'm actually very hopeful. Most people want to do the right thing for the country. Most people do want to learn about the complexities of the issues. Most people really do put the country first. But it's difficult. If you had to measure partisanship during the year, last week would have been on of the high points because Republicans were pulling out all the stops to get near-unanimity in their party to pass the budget. But I think the atmosphere will now improve and the S&P warning will help us improve it. Because there were a number of members of Congress who really had never heard of Standard & Poor's before.